

## CARBON CREDIT FRAUD – AVOIDING THE PITFALLS

---

27 Feb 2017 Azizur Rahman.

**A good number of years ago, Rahman Ravelli was asked to write about carbon credits for an environmental magazine. It was a piece about how carbon credits were a well-intentioned idea that had become a vehicle for fraud. Unfortunately, the situation remains far from perfect.**

The whole idea behind carbon credits was to give companies a mechanism to offset the environmental impact of their actions. Back in 1997, a protocol to the United Nations Framework Convention on Climate Change (UNFCCC) enabled industrialised nations to meet their greenhouse gas (GHG) emissions targets by buying reduction credits from other countries.

Within a decade, carbon credits were being used as a vehicle to carry out huge VAT fraud. A few weeks prior to writing this article, a UK businessman was detained under a European arrest warrant and is facing extradition to Germany in connection with a £100M fraud linked to carbon trading. Shortly before our aforementioned 2013 magazine article, the City of London Police secured their first criminal convictions for carbon credit fraud – an international boiler room operation that convinced investors to part with £6M.

We regularly defend tax fraud cases, including a large number involving allegations of carbon credit fraud. One of the carbon credit fraud cases we were involved in led to the government changing the rules regarding VAT and carbon credits.

---

**London Office**  
36 Whitefriars Street  
London  
EC4Y 8BQ  
+44 (0)203 947 1539  
enquiries@rahmanravelli.co.uk

**Midlands Office**  
3 Brindley Place  
Birmingham, West Midlands  
B1 2JB  
+44 (0) 121 827 7985

**Northern Office**  
Roma House, 59 Pellon Lane  
Halifax, West Yorkshire  
HX1 5BE  
+44 (0)1422 346 666

**Rapid Response Team**  
24 Hour Emergency Contact  
0800 559 3500  
  
Fax +44 (0)1422 430 526  
DX16001 HX1

Despite such government action, the issue is still very much alive. Carbon credits and the tax arrangements surrounding them still carry the risk of fraud.

## Take the right legal advice

That first City of London Police case contained the features that have been present in many carbon credit fraud cases that have followed: the recruitment of staff to sell shares of little or no value, charging hugely-inflated prices for them, trying to convey an image of respectability and business knowledge and often operating abroad so as to be out of the jurisdiction of the Financial Conduct Authority (FCA).

At Rahman Ravelli, we represent clients in the largest and most high-profile investment fraud and VAT fraud cases. The right legal advice is vital for anyone with a connection to such a scheme – either running it, investing in it or thinking of doing either.

## Due diligence

It is an accepted fact that companies and individuals must do due diligence on those they do business with to ensure they are not implicated in fraud. If they are to make sure they are not being misled or cheated in any way they have to carry out all the checks possible. That is particularly important when it comes to investments.

Investment schemes can often be complex arrangements, which is why investment fraud can flourish. If people do not take the time and effort to research and understand what is being proposed they could find themselves either accused of investment fraud or a victim of it. The carbon credit fraud cases that have come to court are perfect examples of this.

It may be that those looking to invest in a fraudulent investment scheme come to it with greater naivety than someone who becomes involved in the running of one. But that is not to say that everyone involved in running such schemes is fully aware that what they are doing is illegal, such is the complexity of investment fraud.

**London Office**  
36 Whitefriars Street  
London  
EC4Y 8BQ  
+44 (0)203 947 1539  
enquiries@rahmanravelli.co.uk

**Midlands Office**  
3 Brindley Place  
Birmingham, West Midlands  
B1 2JB  
+44 (0) 121 827 7985

**Northern Office**  
Roma House, 59 Pellon Lane  
Halifax, West Yorkshire  
HX1 5BE  
+44 (0)1422 346 666

**Rapid Response Team**  
24 Hour Emergency Contact  
0800 559 3500  
Fax +44 (0)1422 430 526  
DX16001 HX1

## What to do if you are asked to either invest in or help run a carbon credit scheme

Putting it in the simplest possible terms, if you are asked to either invest in or help run a carbon credit scheme, you must take certain action:

- Make checks into the background of the people looking to involve you. What is their business history? Why are they approaching you specifically? And why now?
- Understand exactly how the investment scheme works. Is there any evidence to back up the claims being made that the scheme is legal and potentially profitable?
- Discover whether any other such schemes exist. If they do, have they encountered legal or financial problems? Is there a reason why such schemes are suddenly appearing?

## Make checks and take advice

No one looking to invest in carbon credits or any other proposed scheme needs to do so without seeking informed advice. At Rahman Ravelli, we advise people on the legality of investment schemes.

If such investigations are beyond your abilities, legal experts will make the necessary checks, ask the important questions and identify anything that may signify investment fraud.

There is little doubt that carbon credits have been used to defraud innocent investors. But there is also plenty to indicate that many innocent traders have also come under suspicion. Which underlines why it is vitally important that everyone makes the right checks on any carbon credit scheme they consider becoming involved in.

**London Office**  
36 Whitefriars Street  
London  
EC4Y 8BQ  
+44 (0)203 947 1539  
enquiries@rahmanravelli.co.uk

**Midlands Office**  
3 Brindley Place  
Birmingham, West Midlands  
B1 2JB  
+44 (0) 121 827 7985

**Northern Office**  
Roma House, 59 Pellon Lane  
Halifax, West Yorkshire  
HX1 5BE  
+44 (0)1422 346 666

**Rapid Response Team**  
24 Hour Emergency Contact  
0800 559 3500  
Fax +44 (0)1422 430 526  
DX16001 HX1



**Azizur Rahman**  
**Senior Partner**  
**aziz.rahman@rahmanravelli.co.uk**  
**+44 (0)203 911 9339**

Aziz Rahman is Senior Partner at Rahman Ravelli and its founder. His ability to coordinate national, international and multi-agency defences has led to success in some of the most significant corporate crime cases of this century and top rankings in international legal guides. He is recognised worldwide as one of the most capable legal experts regarding top-level, high-value commercial and financial disputes.

**London Office**  
36 Whitefriars Street  
London  
EC4Y 8BQ  
+44 (0)203 947 1539  
enquiries@rahmanravelli.co.uk

**Midlands Office**  
3 Brindley Place  
Birmingham, West Midlands  
B1 2JB  
+44 (0) 121 827 7985

**Northern Office**  
Roma House, 59 Pellon Lane  
Halifax, West Yorkshire  
HX1 5BE  
+44 (0)1422 346 666

**Rapid Response Team**  
24 Hour Emergency Contact  
0800 559 3500  
  
Fax +44 (0)1422 430 526  
DX16001 HX1